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Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

LEEWARD CAPITAL CORP.

1994 Annual Report

LEEWARD CAPITAL CORP.

Corporate Information

Head Office:

#301, 1000 - 8th Avenue S.W.
Calgary, Alberta T2P 3M7
Ph. (403) 265-4077
Fax (403) 265-6410

Officers:

President: James W. Davis
Secretary-Treasurer
J. Rupert Allan

Directors:

James W. Davis }
J. Rupert Allan } Calgary, AB
Edward N. Vink }
Fred T. Lewicki }
Barry Smee - Vancouver, BC

Registered Office:

#1040, 999 West Hastings
Vancouver, B.C. V6C 2W2

Legal Counsel:

Edward N. Vink
#301, 1000 - 8th Avenue S.W.
Calgary, Alberta T2P 3M7

Auditors:

BDO Dunwoody Ward Mallette
#1500, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 3G3

Transfer Agent:

Montreal Trust
411 - 8th Avenue S.W.
Calgary, Alberta T2P 1E7

Listing:

Alberta Stock Exchange

Symbol:

LWC

Type:

Venture Company

Capitalization:

- 20,000,000 common shares
- 10,000,000 preferred shares

Issued and Outstanding:

- 11,866,768 common shares

SEC exemption:

12g3-2(b) #82-3640

ANNUAL MEETING

The Annual General Meeting of the shareholders of Leeward Capital Corp. will be held in the Company's offices at Suite 301, 1000 - 8th Avenue S.W., Calgary, Alberta at 10:00 am on Tuesday, June 6, 1995.

PRESIDENT'S REPORT

Leeward marked its tenth anniversary as a publicly trading company in 1994. The corporate strategy during this year was to shift the company's focus in order to create a balance between diamond and gold exploration. The geographical emphasis for the company's activities remained in Saskatchewan and the Northwest Territories. For 1995, the company's policy is to pursue gold exploration while continuing diamond exploration through option agreements with major firms.

Diamonds

Exploration in the **Dubawnt Lake** project area in 1994 consisted of drilling three new kimberlite targets. While an excellent heavy-mineral assemblage of regional significance was established, no diamonds were recovered. Subsequently, a consortium of companies working southeast of Baker Lake announced the discovery of diamonds from a narrow dyke near Gibson Lake at the eastern end of the Dubawnt Lake project area. A 22 kg rock sample yielded 1,511 microdiamonds and two macrodiamonds. This result is significant in that it further demonstrates the diamond potential of this region.

Within the Dubawnt Lake project area, there are a number of copper occurrences with minor amounts of gold, silver, and uranium. Some of the more significant of these occurrences have been found on mineral lands currently held by Leeward and its joint venture partners. Based on the geological setting and chemistry of these copper showings, Leeward was approached by **WMC International Limited** (a division of Australian-based Western Mines) with regard to optioning much of the Dubawnt Lake project lands. A letter of intent has been signed and the formal option/joint venture agreement is currently being readied for signature. Under the terms of this agreement, WMC will make option payments of \$250,000 and expend \$3,000,000 on exploration for copper and diamonds over the next three years to earn a 70% interest in over 950,000 acres of land held principally by Leeward. Once this interest is earned, Leeward will be carried for its 30% interest until a production decision is made.

In the Lac de Gras area, Leeward acquired a 25% interest at the **Hidden Lake** property, along with Winslow Gold Corp. (51%), Northwind Ventures Ltd. (9%), and Pure Gold (15%). East of this area, at Cross Lake, two kimberlites have been discovered. The Hidden Lake property was subsequently optioned to Ashton Mining of Canada Inc. Under the terms of this agreement, Ashton will explore the property by completing geophysical surveys, diamond indicator mineral surveys, and drilling of any prospective targets that are identified. All costs up to and including a 2-tonne mini-bulk sample stage will be the responsibility of Ashton who will earn a 51% interest in the property.

Airborne and ground geophysical surveys were completed on Leeward's **Clinton-Colden Lake** property. A number of prospective geophysical targets were identified for heavy mineral sampling. Northwest of our property, SouthernEra / Winspear Resources have announced the discovery of a diamond-bearing kimberlite; however, preliminary sampling results would indicate that this pipe is uneconomic. Toward the southwest, several new pipes have been discovered in the Camsell Lake area by several companies including Winspear and Mountain Province.

Gold

In Saskatchewan, Leeward has optioned the **Lynx Lake** gold property to Canadian Mining Resources Ltd. Under the terms of this agreement, Canadian Mining can earn up to a 50% interest by issuing 100,000 shares and by spending \$300,000 on exploration over the next three years. The initial six-hole drilling program has been completed on the property. While only narrow intersections of ore-grade gold were delineated, a mineralized shear structure was found similar to that adjacent to the Contact Lake Mine located 4 km toward the northeast. The Contact Lake Mine was put into production in January 1995, and should produce 60,000 ounces of gold each year, with mineable reserves of 1.3 million tons grading 0.23 oz/ton. Additional exploration is being planned for 1995.

The **Pistol Lake** gold property in the Northwest Territories remains the principal gold asset in Leeward's portfolio. This deposit, with geological reserves of 580,000 tons grading 0.4 oz/ton gold, awaits a significant move in the gold price to enable the company to launch a major drilling program to enhance the reserve picture.

Summary

Market interest for junior mining companies waned for the last half of 1994, and despite excellent mining prospects held by Leeward, our stock has underperformed in the market. However, the management of your company has positioned Leeward to take advantage of any revival in gold and diamonds by entering into a number of option agreements whereby substantial exploration funds are to be spent on Leeward's properties without the requirement to raise such funds by further dilution of the company's shares.

On behalf of the Board of Directors,

James W. Davis, M.Sc., P.Geol., F.GAC
President
March 25, 1995

MINERAL PROPERTY PORTFOLIO - December 15, 1994

<u>Property</u>	<u>Commodity</u>	<u>Hectares</u>	<u>Leeward's Interest</u>	<u>Joint Venture Partners</u>
<u>NORTHWEST TERRITORIES</u>				
Dubawnt Lake area	diamonds			
a) 177 claims in 14 groups		162,823	50-100.0%	Royal Bay/Connecticut/Westwin
b) 40 prospecting permits		688,652	25-100.0%	Royal Bay/Connecticut/Westwin/Troymin
Clinton-Colden Lake	diamonds			
a) 25 claims		23,793	50.0%	50.0% Aaron Oil Corporation
b) 21 claims		20,464	100.0%	
Hidden Lake Project 28 claims	diamonds	20,318	25.0%	75.0% Winslow/Northwind/Pure Gold under option to Ashton Mining
Pistol Lake Project 2 claims	gold	701	85.0%	15.0% F.Lewicki
Snowbird-Ennadai Project 10 claims	gold/ base metals	5,247	42.5%	42.5% Comaplex Minerals 15.0% Rift Resources
<u>SASKATCHEWAN</u>				
Lynx/Sulphide Lake 11 claims	gold	1,943	100.0%	option to earn 50% granted to Canadian Mining Resources
Uskik Lake S-102763	gold	4,530	50.0%	50.0% Santoy Resources Ltd.
Mossy River S-102767	diamonds	225	100.0%	
<u>BRITISH COLUMBIA</u>				
Terrace/Telkwa 3 claims	gold	1,300	50.0%	50.0% Skeena Resources
936,609 gross hectares				

Dubawnt Lake Diamond Project, N.W.T.

Leeward's exploration of this area consisted of drill testing three new kimberlite targets. Two were kimberlitic pipes and the third had superb heavy mineral chemistry, but as with Outlet Bay, no diamonds were detected. Elsewhere in this region, rock sampling at Gibson Lake has revealed one of the highest concentrations of diamonds ever discovered in Canada. A 22 kg rock sample yielded 1,511 microdiamonds and two macrodiamonds. This sample came from a narrow dyke which has been described as a minette, and this is the first time diamonds have been found in this rock type. This discovery not only substantiates Leeward's initial diamond discovery at Outlet Bay, but also demonstrates that a totally new diamond province exists in this region.

In July 1994, Leeward was approached by WMC International Limited, a wholly-owned subsidiary of Western Mines Corporation Ltd. of Australia, with regard to an option of approximately 950,000 acres of land in the Dubawnt Lake project area. Their interest in this area was based on an analysis of this region for hosting Olympic Dam type copper deposits. The world-class Olympic Dam mine, which is owned by Western Mines, contains a total mineral resource of 1,560,000,000 tonnes of ore grading 1.1% copper, 1.1 kg uranium, 0.4 g/T gold, and 2.5 g/T silver. WMC's analysis of the regional geologic setting and the nature and geochemistry of known copper/gold/silver/uranium occurrences within this region convinced them that this area had very good potential for the discovery of this type of deposit. In addition, a review of the results of Leeward's exploration demonstrated that the area was prospective for diamonds.

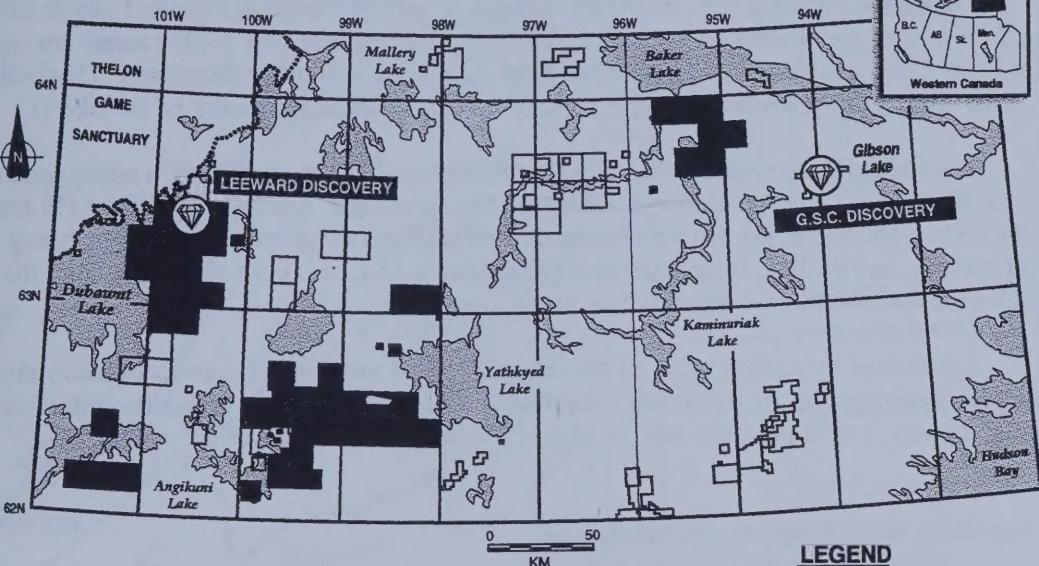
As a result of this analysis, a letter of intent was signed by Leeward and its various joint venture partners in October 1994. Under the terms of the understanding, WMC will undertake to expend \$3,000,000 in exploration and make option payments totalling \$250,000 over the next three years to earn a 70% undivided interest. After this earn-in is completed, Leeward and its associates will be carried for 30% until a production decision is made, with an election to either fund their 30% interest into production or revert to a 1.5% Gross Overriding Royalty in the case of diamonds or a 3% Net Smelter Royalty in the case of precious or base metals. Leeward has an overall 65% interest in the Dubawnt Lake project lands. A formal option/joint venture agreement is currently being circulated for signature.

WMC's initial phase of exploration will consist of regional geophysical surveys followed by drilling, anticipated to commence in July. This work will rapidly advance our Dubawnt Lake project, and eliminate the need for further funding by Leeward for the foreseeable future.

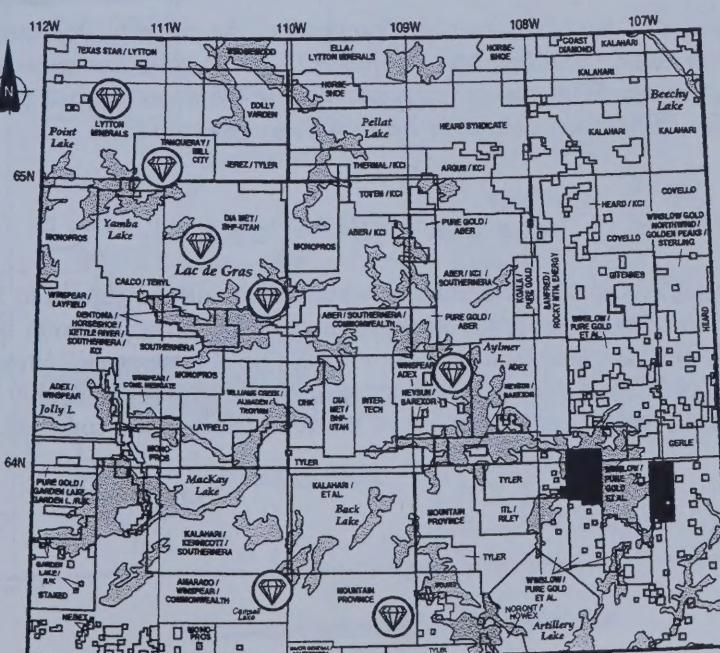
Clinton-Colden Lake Project, N.W.T.

In 1994, Leeward and Aaron Oil Corporation conducted airborne and ground geophysical surveys on claims located in the Lac de Gras diamond area. The surveys identified a number of kimberlite targets which will require detailed heavy mineral sampling in 1995. Exploration highlights in this part of the Lac de Gras area include the discovery of the diamond-bearing Nicholas Bay kimberlite located northwest of Clinton-Colden Lake, the recent diamondiferous kimberlite discoveries west-southwest, east of Camsell Lake by Winspear Resources, and a separate diamond discovery by Mountain Province further east.

PROPERTY MAP
DUBAWNT LAKE
N.W.T., CANADA



DIAMOND DISCOVERIES



PROPERTY MAP
LAC DE GRAS
N.W.T., CANADA



LEGEND

■ CLINTON-COLDEN PROPERTY

□ DIAMOND DISCOVERIES

□ Staked

0 10 20 30 40 50
KM

Hidden Lake Diamond Property, N.W.T.

Leeward acquired a 25% interest in a group of claims located at Hidden Lake in the Lac de Gras area of the Northwest Territories. These claims, totalling over 50,000 acres, are west of the Cross Lake area where two kimberlite pipes have been previously discovered. This property adjoins land held by SouthernEra and Monopros (the Canadian subsidiary of De Beers).

The Hidden Lake property was subsequently optioned to Ashton Mining, a major Australian diamond mining company. Under the terms of this agreement, Ashton can earn a 51% interest from the current land holders by conducting airborne and ground geophysical surveys, heavy mineral surveys, and drilling, including the acquisition of a 2-tonne mini-bulk sample from the first kimberlite discovered over the next two years.

Exploration by Ashton included ground geophysical surveys and analysis of heavy mineral samples. Initial results are reportedly encouraging. Contingent upon final results reinforcing this initial success, a drill program may be carried out during the summer field season.

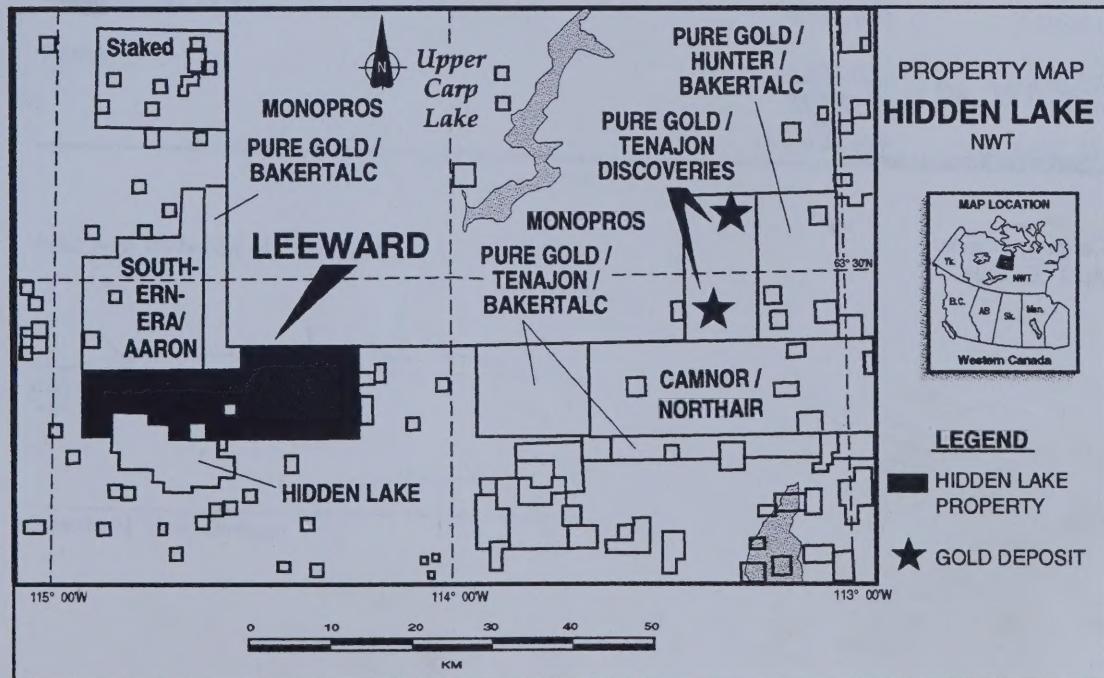
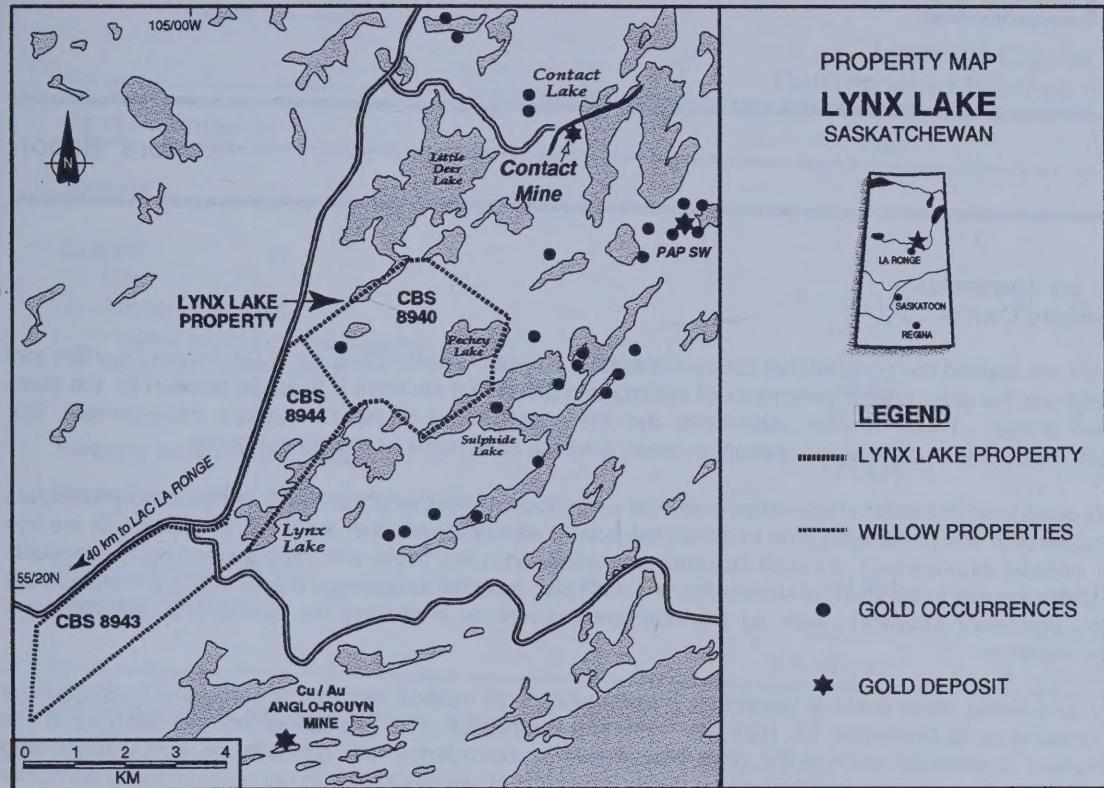
Lynx Lake Gold Property, Saskatchewan

Leeward has optioned the right to earn up to a 50% interest in the Lynx Lake gold property to Canadian Mining Resources Ltd. by making exploration expenditures of \$300,000 and issuing 100,000 shares. The initial \$100,000 was expended on the diamond drilling program in February 1995. While a structure similar to Contact Lake was found, only narrow ore-grade gold intersections were encountered.

In January 1995, the Contact Lake Mine, located 3 km north of the property, commenced production. With mineable reserves of 1.3 million tons grading 0.23 oz/ton gold, this mine is the largest ever operated in Saskatchewan. With proven gold reserves of 337,000 ounces in a deposit that remains open to depth, this mine could ultimately be a million-ounce producer.

Pistol Lake Gold Property, N.W.T.

Due to the lack of favourable gold market conditions which would allow Leeward to fund the major drilling program required on this property, no exploration work was completed in 1994. With increase interest in gold, Leeward may be in a position to carry out a major drill program in 1995 on this iron formation hosted gold deposit, which has geological reserves of 580,000 tons grading 0.406 oz/ton gold. This property constitutes one of the core assets of the company.





BDO Dunwoody
Chartered Accountants

1500 800 - 6 Avenue S.W.
Calgary Alberta T2P 3G3
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Auditors' Report

To the Shareholders
Leeward Capital Corp.

We have audited the consolidated balance sheets of Leeward Capital Corp. as at December 15, 1994 and 1993 and the consolidated statements of income and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 15, 1994 and 1993 and the results of its operations and the changes in its financial position for each of the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

BDO Dunwoody

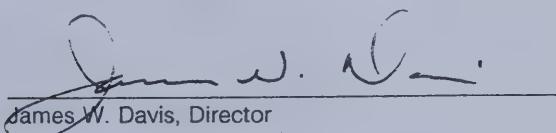
Chartered Accountants

Calgary, Alberta
April 25, 1995

**Leeward Capital Corp.
Consolidated Balance Sheets**

As at December 15	1994	1993
Assets		
Current		
Cash	\$ 19,026	\$ 72,485
Accounts receivable	322,526	132,284
Prepaid expenses and supplies	16,775	18,987
Short-term investments	<u>24,500</u>	<u>24,500</u>
	382,827	248,256
Property bonds (Note 10(b))	141,878	97,349
Mineral properties and deferred costs (Schedule)	2,375,715	830,669
Capital assets (Note 3)	34,211	40,391
Goodwill (Note 4)	<u>—</u>	<u>12,959</u>
	\$ 2,934,631	\$ 1,229,624
Liabilities and Shareholders' Equity		
Current		
Accounts payable	<u>\$ 184,676</u>	<u>\$ 289,486</u>
Share capital (Note 5)	4,424,990	2,392,444
Deficit	<u>(1,675,035)</u> <u>2,749,955</u>	<u>(1,452,306)</u> <u>940,138</u>
	\$ 2,934,631	\$ 1,229,624

Approved on behalf of the Board:


James W. Davis, Director


Edward N. Vink, Director

Leeward Capital Corp.
Consolidated Statements of Income and Deficit

For the years ended December 15	1994	1993
Revenue	\$ 357,505	\$ 141,889
Cost of sales	93,167	68,968
Gross profit	264,338	72,921
General and administrative expenses		
Amortization	25,157	20,765
Bad debts	-	12,603
Bank charges and interest	554	252
Business promotion and travel	40,299	29,129
Business taxes and insurance	6,667	3,804
Mineral properties abandoned	673	152,671
Office	37,152	19,129
Professional fees	67,582	44,058
Rent	38,227	17,953
Secretarial	6,600	6,600
Telephone and utilities	26,141	19,309
Transfer agent and listing fees	28,180	27,189
Wages and benefits	217,877	108,779
	<u>495,109</u>	<u>462,241</u>
Loss from operations	(230,771)	(389,320)
Other income		
Interest and other income	111	95
Gain on disposal of assets	15,431	22,921
Write-down of short-term investments	(7,500)	(17,500)
	<u>8,042</u>	<u>5,516</u>
Net loss for the year	(222,729)	(383,804)
Deficit, beginning of year	<u>(1,452,306)</u>	<u>(1,068,502)</u>
Deficit, end of year	\$ (1,675,035)	\$ (1,452,306)
Loss per share	\$ 0.02	\$ 0.05

The accompanying notes are an integral part of these financial statements.

Leeward Capital Corp.
Consolidated Statements of Changes in Financial Position

For the years ended December 15	1994	1993
Cash provided (used) by		
Operating activities		
Net loss for the year	\$ (222,729)	\$ (383,804)
Items not involving cash		
Write-down of short-term investments	7,500	17,500
Amortization	25,157	20,765
Gain on disposal of assets	(15,431)	(22,921)
Mineral properties abandoned	<u>673</u>	<u>152,671</u>
	<u>(204,830)</u>	<u>(215,789)</u>
Changes in non-cash working capital balances		
Accounts receivable	(190,242)	(104,699)
Prepaid	2,212	(5,162)
Accounts payable	(104,810)	184,574
Due to joint venture operator	-	(10,000)
Notes payable	-	(50,000)
Deposits	<u>-</u>	<u>(10,000)</u>
	<u>(497,670)</u>	<u>(211,076)</u>
Financing activities		
Issue of shares, net	<u>2,032,546</u>	<u>728,221</u>
Investing activities		
Property bonds	(44,529)	(97,349)
Purchase of mineral properties and exploration thereon	(1,981,949)	(402,057)
Proceeds on disposal of properties and interests therein	436,230	52,737
Purchase of capital assets	(7,157)	(10,199)
Proceeds on disposal of capital assets	4,605	-
Purchase of investments	(25,000)	(41,327)
Proceeds on sale of investments	29,465	43,921
Acquisition of subsidiary (net of cash)	<u>-</u>	<u>288</u>
	<u>(1,588,335)</u>	<u>(453,986)</u>
Increase (decrease) in cash	(53,459)	63,159
Cash, beginning of year	<u>72,485</u>	<u>9,326</u>
Cash, end of year	\$ 19,026	\$ 72,485

Leeward Capital Corp.
Notes to Consolidated Financial Statements

December 15, 1994

1. Nature of Operations

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. One of the Company's subsidiaries is in the mineral analysis service business.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, and the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

2. Significant Accounting Policies

(a) Basis of financial statements

The accompanying financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As at the date of issue of these financial statements, the Company was in a deficit position from accumulated operating losses and was experiencing a negative cash flow from ongoing operations.

Continuation of the Company as a going concern is dependent upon obtaining additional capital and achieving satisfactory levels of profitable operations. The financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

Although successful resolution of these uncertainties is not assured, management is of the opinion that additional capital can be raised.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Tempest Exploration Corp. and TerraMin Research Laboratories Ltd. All significant intercompany transactions and accounts have been eliminated. The accounts of mineral properties that the Company explores with joint venture partners reflect only the Company's proportionate interest in such activities.

(c) Inventory

Inventory is stated at the lower of average cost and market value.

Leeward Capital Corp.
Notes to Consolidated Financial Statements

December 15, 1994

2. Significant Accounting Policies (continued)

(d) Mineral properties and deferred costs

The Company is engaged in the acquisition, exploration and development of mining properties. The mining properties are recorded at cost. All acquisition, exploration and related overhead expenditures, are deferred and will be amortized on a unit of production basis, based on estimated proven reserves of minerals of the areas should such reserves be found. The costs relating to a property abandoned are written off when the decision to abandon is made or when the lease expires. The total amount recorded for mineral properties and deferred exploration expenditures represents costs incurred to date and does not reflect present or future values. Any proceeds received from a partial disposition or an option payment are credited against these costs.

(e) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets at the following rates and methods:

Laboratory equipment	- straight-line basis over the term of 7 years
Office equipment	- straight-line basis over the term of 7 years
Computer equipment	- 30% declining balance basis

(f) Goodwill

Goodwill was recognized on the purchase of one of the Company's subsidiaries. It is being amortized on a straight-line basis over a period of twelve months.

(g) Flow-through shares

When the Company issues flow-through shares, they record 100% of the mining exploration costs in their records. The shares issued are recorded at their purchase price. When the funds received are spent, the tax benefits arising from the transaction are transferred to the holders of the flow-through shares.

	1994		1993	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Laboratory equipment	\$ 41,615	\$ 9,219	\$ 40,565	\$ 6,284
Office equipment	925	422	925	375
Computer equipment	1,918	606	6,573	1,013
	<u>\$ 44,458</u>	<u>\$ 10,247</u>	<u>\$ 48,063</u>	<u>\$ 7,672</u>
Cost less accumulated amortization		\$ 34,211		\$ 40,391

Leeward Capital Corp.
Notes to Consolidated Financial Statements

December 15, 1994

	1994		1993	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Goodwill	\$ 25,918	\$ 25,918	\$ 25,918	\$ 12,959
Cost less accumulated amortization		\$ -		\$ 12,959

5. Share Capital

(a) Authorized:

20,000,000 common shares
 10,000,000 preferred shares without par value

(b) Issued: Common Shares	Number of Shares	Amount	
Balance December 15, 1992	6,177,953	\$ 1,525,143	
Issued for cash	716,383	171,913	
Issued for mining property interest	99,626	29,888	
Issued under private placement	497,860	360,500	
Issued for cash on exercise of warrants	<u>500,000</u>	<u>305,000</u>	
Balance December 15, 1993	7,991,822	\$ 2,392,444	
Issued for cash on exercise of incentive stock options	175,000	48,750	
Issued for mining property interest (c)iii	800,000	740,000	
Issued for cash pursuant to private placement (c)iv (net of share issue costs of \$8,663)	1,083,334	641,337	
Issued for finder's fee	100,000	65,000	
Issued for mining property interest	49,945	37,459	
To be issued for settlement of debt (Note 9)	<u>1,666,667</u>	<u>500,000</u>	
Balance December 15, 1994	<u>11,866,768</u>	<u>\$ 4,424,990</u>	

(c) Outstanding warrants

- i. By a purchase agreement dated July 19, 1991 and approved by the Vancouver Stock Exchange on September 26, 1991, the Company granted share purchase warrants to Winterlake Resources Ltd., to purchase a total of 500,000 shares at \$0.40 per share during year 1, or at \$0.46 per share during year 2, or at \$0.53 per share during year 3, or at \$0.61 per share during year 4, expiring September 25, 1993. All of the warrants were exercised during the year ended December 15, 1993 at \$0.61 per share.
- ii. By a subscription agreement dated June 24, 1993, the Company issued 65,350 common shares at a price of \$1.53 per share, with share purchase warrants attached, to purchase a total of 65,350 shares at \$1.53 per share during year one and at \$1.76 per share during year two (expiry date June 24, 1995).
- iii. By agreements dated August 3, 1994, the Company issued 800,000 common shares at a price of \$0.925 to acquire prospecting permits, with share purchase warrants attached. Of the warrants, half are to purchase 400,000 common shares at a price of \$1.40 for a period of one year. These warrants expire August 3, 1995. The other half are to purchase 400,000 common shares at a price of \$1.40 per share during year one and at a price of \$1.61 per share during year two (expiry August 3, 1996)

Leeward Capital Corp.
Notes to Consolidated Financial Statements

December 15, 1994

5. Share Capital (continued)

iv. By a private placement dated December 31, 1993, the Company issued 1,083,334 flow-through common shares at a price of \$0.60 per share, with share purchase warrants attached, to purchase a total of 1,083,334 common shares for a period of one year. These warrants expired December 31, 1994.

(d) Incentive stock options

The Company has granted incentive stock options to directors and employees of the Company to purchase shares exercisable up to January 29, 1997.

	<u>Options</u>
Balance December 15, 1992	356,818
Granted	500,000
Exercised	<u>(181,818)</u>
Balance December 15, 1993	675,000
Granted	360,000
Exercised	<u>(175,000)</u>
Balance December 15, 1994	<u>860,000</u>

695,000 of the outstanding warrants are exercisable at an option price of \$0.46 per share. The remaining 165,000 shares are exercisable at \$0.60 per share.

(e) Escrow shares

Nil shares remain in escrow.

6. Acquisition

Effective May 31, 1993, the Company purchased TerraMin Research Laboratories Ltd., a mineral analysis service company. The acquisition has been accounted for by the purchase method as follows:

Current assets (including cash of \$388)	\$ 30,551
Current liabilities	(94,369)
Working capital	(63,818)
Capital assets	<u>16,227</u>
	(47,591)
Purchase price (paid in cash)	100
Excess of cost of acquisition over net book value of assets acquired	\$ (47,691)

The excess of cost of acquisition over net book value of assets acquired has been allocated as follows:

Capital assets	\$ 21,773
Goodwill	25,918
	<u>\$ 47,691</u>

Amortization of the excess is as follows:

Capital assets	- on the same basis as the related capital assets
Goodwill	- straight-line over a period of twelve months

December 15, 1994

7. Government Assistance

Under an Alberta government mineral development program, the Company obtained a forgivable loan of \$71,200 which is receivable as the Company incurs specific technology development expenditures. An amount of \$15,574 (1993-\$47,608) has been credited to research and development, representing 100% of the Company's research and development expenses for the period. The remaining available assistance for technology development expenditures will be received in the year ended December 15, 1995, as the related expenditures are made.

The Company is obligated to repay the loan by way of a share of the gross revenue from the sale of related project technology, in the proportion of the government's contributions to the total cost of developing the project technology (up to the time at which the gross revenue is obtained). Sale of the related project technology is not considered likely, therefore any repayment of the loan will be charged to income when and if it occurs.

8. Related Party Transactions

The Company paid rent of \$605 and secretarial services of \$550 per month to a company controlled by two directors of the Company, Taiga Consultants Ltd. ("Taiga"). In addition, the Company reimbursed \$937,273 (1993 - \$436,474) for mineral property acquisition and exploration thereon to Taiga. Included in accounts payable is a balance of \$120,158 (1993 - \$237,787) due to Taiga at December 16, 1994.

During the year, this same company contracted the Company's subsidiary to perform approximately \$19,000 (1993 - \$33,000) of mineral analysis, which is included in revenue. Of this amount, \$7,110 (1993 - \$17,100) relates to Leeward and is included in exploration of mineral properties.

On August 31, 1993, the Company negotiated a share-for-debt settlement with the same company. 1,666,667 shares were issued at \$0.30 per share to settle an outstanding trade account of \$500,000.

Per discussion with management, all related party transactions are recorded at fair market value.

10. Income Taxes

Under Canadian Income Tax Law, development and exploration expenditures are subject to certain restrictions in deductibility. The Company has total expenditures of approximately \$2,260,000 (1993 - \$1,094,460) available at December 15, 1994, to be carried forward to reduce future taxable income.

The Company and its subsidiaries have non-capital losses available for income tax purposes of approximately \$440,000 (1993 - \$442,000) which are available to reduce taxable incomes of future years. The losses expire at varying dates up to 2001. The potential income tax benefits resulting from these losses have not been recognized in the financial statements as their ultimate utilization is uncertain.

Leeward Capital Corp.
Notes to Consolidated Financial Statements

December 15, 1994

10. Commitments

- (a) One of the Company's subsidiaries is committed under a realty lease to monthly payments of \$2,700 expiring March 31, 1998.
- (b) Various property bonds totalling \$141,878 have been posted with the government of the Northwest Territories to secure the rights to explore certain permit areas. Under the terms of the permits, the Company is required to incur exploration expenditures totalling this amount to be refunded the bond posted. In the event that the expenditures are not incurred, the Company will forfeit the bond related to the particular permit.

11. Segmented Information

The Company presently operates in two segments. These segments are mineral property exploration and mineral analysis service.

1994	Mineral Property Exploration	Mineral Analysis Service	Adjustments on Consolidation	Consolidated
Sales	\$ _____ -	\$ 357,505	\$ _____ -	\$ 357,505
Segment operating loss	\$ (210,281)	\$ (5,635)	\$ (14,855)	\$ (230,771)
Other income				8,042
Net loss				\$ (580,234)
Identifiable assets	\$ 2,517,593	\$ 341,479	\$ 32,033	\$ 2,891,105
Corporate assets				\$ 43,526
Total assets				\$ 2,934,631

1993	Mineral Property Exploration	Mineral Analysis Service	Adjustments on Consolidation	Consolidated
Sales	\$ _____ -	\$ 141,889	\$ _____ -	\$ 141,889
Segment operating loss	\$ (345,678)	\$ (28,787)	\$ (14,855)	\$ (389,320)
Other income				5,516
Net loss				\$ (383,804)
Identifiable assets	\$ 928,018	\$ 171,788	\$ 32,833	\$ 1,132,639
Corporate assets				\$ 96,985
Total assets				\$ 1,229,624

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12. Subsequent Events

- (a) Subsequent to December 15, 1994, the Company optioned a gold property from Orient Resources Inc. in Barry Township, Québec near the recent Murgor Resources Inc. gold discovery. Under the terms of this letter agreement, Leeward will pay a total of \$10,000, issue 150,000 shares, and undertake to expend \$250,000 in exploration expenditures over the next three years, in order to earn a 50% interest in the property. The property consists of 17 claims located 3 km southeast of the Murgor property and immediately adjacent to claims recently optioned by Freewest Resources Inc. from Orient.
- (b) Subsequent to December 15, 1994, the Company has granted 895,000 incentive stock options to directors and employees of the Company. These options are exercisable at \$ 0.20 per share up to and including December, 1997.

13. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

**Leeward Capital Corp.
Consolidated Schedule
of Mineral Properties & Deferred Costs**

For the year ended December 15, 1994

	<u>Dec.15/93</u>	<u>Expenditures</u>	<u>Options/ Disposals</u>	<u>Dec.15/94</u>
Terrace/Telkwa, BC				
Acquisition	\$ 1,149	\$ -	\$ -	\$ 1,149
Exploration	37,088	1,524	-	38,612
Snowbird-Ennadai, NWT				
Acquisition	174,034	-	(30,000)	144,034
Exploration		138	-	138
Pistol Lake, NWT				
Acquisition	44,329	-	-	44,329
Exploration	60,178	2,009	-	62,187
Dubawnt Lake, NWT				
Acquisition	341,295	786,256	(368,730)	758,821
Exploration	-	903,995	-	903,995
Clinton-Colden, NWT				
Acquisition	17,108	43,633	(30,000)	30,741
Exploration	233	146,615	-	146,848
Hidden Lake, NWT				
Acquisition	-	29,165	-	29,165
Lynx Lake, Sask.				
Acquisition	3,987	-	(7,500)	(3,513)
Exploration	91,413	2,106	-	93,519
Eisler Lake, Sask.				
Acquisition	7,308	-	-	7,308
Exploration	20,423	-	-	20,423
Uskik Lake, Sask.				
Acquisition	5,109	-	-	5,109
Mossy River, Sask.				
Acquisition	3,405	640	-	4,045
Exploration	-	65,195	-	65,195
Deferred administrative costs	<u>23,610</u>	<u>-</u>	<u>-</u>	<u>23,610</u>
	\$ 830,669	\$ 1,981,276	\$ (436,230)	\$ 2,375,715

